



Date: November 17, 2014

To: Thomas J. Bonfield, City Manager

Through: Wanda S. Page, Deputy City Manager

From: David Boyd, Finance Director
Sue Sandhoff, Financial Operations Manager

Subject: Contract for Utility Bill Printing and Mail Services

Executive Summary

The contract under consideration will provide the Finance Department with a contract for print and mail services to support utility billing segments to include water management, stormwater, and assessments, as well as all general billing segments. In addition, services supporting City outgoing mail will be provided. For the purposes of this contract, the Administration is recommending utilizing existing City of Raleigh, North Carolina contracts that were awarded in April and July of 2014 to Professional Mail Services, Inc. (PMSI) as a basis for contracting for these services.

PMSI is providing the City of Durham with pricing and other terms and conditions which are as favorable as the prior contract with the City of Raleigh, which was entered into following a request for proposal (RFP) process. The Administration has analyzed market conditions, has compared the pricing to other recent similar proposals, and recommends using the proposals submitted to the City of Raleigh.

The total cost of the contract is \$2,317,826.25. This amount represents service related costs over the contract term of \$612,428.04 and United States Post Office (USPS) postage fees of \$1,705,398.21.

Recommendation

To authorize the City Manager to execute a contract with Professional Mail Services, Inc. for print and mail services in the amount of \$2,317,826.25.

Background

The City has operated a Print Shop supporting printing and mail room services for many years. With a transition to pre-sort mailing services for utility bills two years ago, in conjunction with the convenience created for all users by a shift from desktop to common area printer/copiers City wide, the direct support requirement was minimized for this work unit. In the FY2014 Adopted Budget, one vacant position in the Print Shop was eliminated, which reduced staffing to three (3) FTEs. The staffing for the Print Shop has been further affected by the recent retirements of two long time employees. The subject retirements create a scenario where shifting to outsourced services does not adversely affect employees in existing positions.

The Print Shop operation is currently housed in the City Hall building, taking up a large area

which has potential for other uses. The proposed outsourcing of print and mail services would reduce the space requirements and limit the area required for operations. This would free up space to address other priority needs of the City.

The contract under consideration will provide the Finance Department with print and mail services to support utility billing and general billing segments, and support services for City outgoing mail.

Professional Mail Services, Inc. has agreed to furnish the City with print and mail services per the same pricing and conditions as in the existing City of Raleigh, North Carolina contracts awarded in April and July of 2014.

Issues/Analysis

Currently, Print Shop staff supports the print and mail function for daily, monthly, and annual print jobs related to utility billing. Compared to outside companies specializing in these type functions, our current operation faces limitations in how service is provided. The Print Shop experiences potential down time and delays in completing jobs when equipment fails or breaks down; the potential for such delays will increase as the equipment ages out. PMSI has equipment in place to ensure seamless service with no delays. Another limitation of our internal operation is the ability to identify invalid addresses for customer accounts. Outsourced services would include the technology which automatically forwards mail items to the correct address, and includes notification to the client so updates can be made to account records for future mailings. This feature not only saves on future mailing costs, but also reduces the staff time required to research returned mail items.

Mail room services provided by Print Shop staff include the sorting of internal mail and the processing of incoming and outgoing United States Postal Service (USPS) mail items. This processing involves metering of outgoing mail items, which are forwarded to the USPS on a daily basis. Contracting of services for outgoing mail will enhance and streamline the mail room services offered by providing twice daily pick up of mail, metering at a reduced postage rate, and ensuring that mail is delivered and enters the USPS mail stream the same day.

In April and July of 2014, the City of Raleigh, North Carolina awarded contracts to Professional Mail Services, Inc. for print and mail services. The Administration is recommending contracting for print and mail services from these contracts.

Entering into this contract offers the City of Durham the following advantages:

- Enhances current print and mail functions by providing more timely and efficient delivery of mail items to City residents.
- Reduces costs to support print and mail services.
- Streamlines print and mail processes, and adds mail forwarding features not currently available.
- Reduces space requirements in the City Hall building, providing space to address other priority needs of the City.

Alternatives

The City could choose not to use the City of Raleigh contracts as a basis for contracting and seek new proposals. Seeking new proposals would delay the award process and could result in higher prices. The Administration has analyzed market conditions, has compared the pricing to other recent similar proposals, and recommends using the City of Raleigh

contracts, which provide the City of Durham with pricing and other terms and conditions which are as favorable as the prior contract with the City of Raleigh.

Another alternative would be maintaining the current support structure. By continuing to provide service in-house, the City would not be able to realize the level of efficiency that can be offered by PMSI which specializes in print and mail services. Features which would not be available include automated address changes for mail items, same day printing and mailing; and date/time stamping of bill generation and mailing. Another major consideration would be the lost potential cost savings which would be realized through reduced postage rates.

Financial Impact

Costs are projected to be \$340,289.37 in FY2015, then \$659,178.96 annually with a total four year contract amount of \$2,317,826.25. The costs represented include the projected combined amounts which include both print/mail service and USPS postage expense.

During the first year of transition, there will be a one-time expense related to the buyout of the existing lease with Sharp for high volume printing equipment currently utilized by the Print Shop. The amount of the one-time expense is estimated to be \$129,000.

An analysis of ongoing costs vs. current in-house costs is attached as "Exhibit A" and shows full year annual cost savings of \$151,727.26 beginning in fiscal year 2016.

SDBE Summary

This contract was not reviewed for compliance with the Ordinance to Promote Equal Opportunities in City Contracting.

Professional Mail Services, Inc. (PMSI) is a woman owned business which is certified as a Historically Underutilized Business (HUB) by the State of North Carolina. PMSI has only one physical location, which is the City of Durham.

WORKFORCE STATISTICS

The workforce statistics for Professional Mail Services, Inc. are as follows:

Total Workforce	44	100%
Total Females	14	32%
Total Males	30	68%
Black Males	12	27%
White Males	18	41%
Other Males	0	0%
Black Females	5	11%
White Females	6	14%
Other Females	3	7%